No. 90-258

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

WESLO, INC.,

Petitioner,

v.

DIVERSIFIED PRODUCTS CORPORATION, and
BROWN FITZPATRICK LLOYD PATENT LTD.,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

The filing of the petition gives rise to the following additional threshold question:

1. Does the Supreme Court have certiorari jurisdiction under 28 U.S.C. § 1254(1) to review a case not within the appellate jurisdiction of a court of appeals because the court of appeals, in its discretion, refused to permit an interlocutory appeal to be taken under 28 U.S.C. § 1292(b)?

The question presented by petitioner is too broadly stated, and therefore is recast more along the lines of the question certified for interlocutory appeal by the district court, as follows:

2. Does a finding of patent invalidity by the U.S. International Trade Commission, made relative to a determination of no violation of Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) which was affirmed by the U.S. Court of Appeals for the Federal Circuit, preclude district court infringement litigation on the same patent, despite the grant of original jurisdiction over patent matters placed in the district courts under 28 U.S.C. § 1338(a)?

LIST OF PARENT AND SUBSIDIARIES

The parent company of respondent Diversified Products Corporation is Shape Holdings, Inc. (a Delaware corporation). Diversified Products Corporation has no nonwholly-owned subsidiary companies.

The correct name of the other respondent is Brown Fitzpatrick Lloyd Patent Ltd., which has no parent company and no nonwholly-owned subsidiary companies.

Allegheny International Exercise Company is in Chapter 11 bankruptcy proceedings, but still is a defendant below.

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RESPONDENTS' BRIEF IN OPPOSITION

The respondents Diversified Products Corporation and Brown Fitzpatrick Lloyd Patent Ltd. (collectively "DP") respectfully request that this Court deny the petition for writ of certiorari filed by Weslo, Inc. ("Weslo"), seeking review of the Federal Circuit's orders in this case. Those orders appear in Appendices A and B of the petition.

JURISDICTION

Weslo invokes certiorari jurisdiction of this Court under 28 U.S.C. § 1254(1). However, the Court of Appeals for the Federal Circuit refused to permit an appeal to be taken in this case. Certiorari jurisdiction over this unappealed case does not lie because the case is not "in" the Court of Appeals, as required by the jurisdictional statute. A more detailed discussion appears within.

STATUTES INVOLVED

In addition to the statutes listed in the petition, the following statute also is involved.

28 U.S.C. § 1292 provides in pertinent part:

> § 1292. Interlocutory decisions
>
> (b) When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order: *Provided, however*, That application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or the Court of Appeals or a judge thereof shall so order.

STATEMENT OF THE CASE

DP generally agrees with the statement of the case set forth in the petition, with the following exceptions.

At page 5 of the petition, Weslo misstates the Commission's treatment of the ALJ's Initial Determination ("ID"). The Commission did not review the entire ID. Rather, the Commission only reviewed and reversed the ID on the issue of anticipation. The Commission determined "not to review any other portion of the ID," thereby adopting those portions as its own. See petition at 48a-49a.

At page 6 of the petition, Weslo misstates the breadth of the Federal Circuit's affirmance of the ITC decision. The Federal Circuit did not affirm an ITC decision of patent invalidity. Rather, the Federal Circuit simply affirmed the ITC's "determination of no violation" of § 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). See petition at 52a-53a.

Also at page 6 of the petition, Weslo misstates the procedural history involved. The consolidated cases in Delaware were not stayed throughout the ITC proceedings, as Weslo seems to state. Rather, the consolidated cases were stayed by stipulation only during the appeal of the ITC's determination to the Federal Circuit.

Finally, at page 7 of the petition, Weslo mischaracterizes the district court Opinion in this case (petition, App. C). Much of the Federal Circuit authority relied on by the district court arguably is not "dicta," as Weslo characterizes it. Further, the Federal Circuit in these cases and the district court here relied on more than just a "brief passage" of the legislative history of § 337 of the Tariff Act of 1930 as authority for their decisions. Among those other authorities are the express language of § 337 itself, and the clear jurisdictional dichotomy between the ITC and the district courts established by Congress.

REASONS WHY THE PETITION SHOULD BE DENIED

I. CERTIORARI JURISDICTION OVER THIS UNAPPEALED CASE DOES NOT LIE

Weslo invokes certiorari jurisdiction of this Court under 28 U.S.C. § 1254(1). However, the Court's authority under that Section extends only to cases "*in* the courts of appeals."[1] *United States v. Nixon*, 418 U.S. 683, 690-91 (1974); *Gay v. Ruff*, 292 U.S. 25, 30 (1933); *Forsyth v. Hammond*, 166 U.S. 506, 513 (1896); *Smith v. Mitchell*, 454 U.S. 911 (1981) (Rehnquist, J., dissenting). This case is not pending "in" the Court of Appeals for the Federal Circuit. The Court of Appeals in its discretion refused to permit an appeal to be taken.[2] *House v. Mayo*, 324 U.S. 42, 43-44 (1944). No notice of appeal was filed in that court. No appeal was docketed in that court. In fact, appeals are not docketed in the courts of appeals until "receipt of the copy of the notice of appeal and of the docket entries, transmitted by the clerk of the district court." Fed. R. App. P. 12(a). That has not happened here. Certiorari jurisdiction over this unappealed case therefore does not lie under § 1254(1).

II. THERE ARE NO SPECIAL AND IMPORTANT REASONS FOR GRANTING THE WRIT; AND THERE ARE IMPORTANT REASONS FOR DENYING IT

Notwithstanding the jurisdictional issue discussed above, and recognizing (but not consenting to here) the possibility in certain exceptional circumstances of extraordinary writs issuing under 28 U.S.C. § 1651 in aid of this Court's jurisdiction, DP presents the following reasons for denying a writ of certiorari in this case.

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[1] Unless otherwise indicated, all emphasis in quotations is added.

[2] "The Court of Appeals which *would* have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken. . . ." 28 U.S.C. § 1292(b).

A. Neither the Court of Appeals Nor the District Court Has Departed from the Accepted and Usual Course of Judicial Proceedings

This case involves a matter-of-fact § 1292(b) certification by a district judge of a question that he decided in an interlocutory order denying defendants' motion for summary judgment. It also involves the routine exercise of the appellate court's discretion to refuse defendants permission to take an appeal on the certified question. At first, the Court of Appeals refused permission without stating its reasons. Petition at 2a. When pressed by defendants' "frivolous" petition for rehearing (petition at 3a), the Court of Appeals elaborated on the reasons for its refusal, viz., its ultimate discretion in the matter, and its prior (and consistent) consideration of the certified question on four occasions (implying no substantial ground for difference of opinion on the question). Petition at 3a-5a.

There is nothing unusual or extraordinary about this procedural treatment of the case that requires this Court to act now through the exercise of certiorari jurisdiction. The Court of Appeals acted "in its discretion." 28 U.S.C. § 1292(b); petition at 2a. In its Order on petition for rehearing, the Court of Appeals quoted the legislative history of § 1292(b) and noted that it fully supports the Court's refusal (petition at 3a-4a):

> The granting of the appeal is also *discretionary* with the court of appeals which may refuse to entertain such an appeal *in much the same manner that the Supreme Court today refuses to entertain applications for writs of certiorari.*
>
> It should be made clear that if application for an appeal from an interlocutory order is filed with the court of appeals, *the court of appeals may deny such application without specifying the grounds upon which such a denial is based.* It

> could be based upon a view that the question involved was not a controlling issue. It could be denied on the basis that the docket of the circuit court of appeals was such that the appeal could not be entertained for too long a period of time. But, whatever the reason, *the ultimate determination concerning the right of appeal is within the discretion of the appropriate circuit court of appeals.*
>
> S. Rep. No. 2434, 85th Cong., 2d Sess. 3, 4, *reprinted in* 1958 U.S. Code Cong. & Admin. News 5255.

The appellate court's discretion in deciding whether to grant permission to appeal under § 1292(b) is unqualified by any statutory criteria. It is not limited to the factors enumerated in § 1292(b) and considered by the trial judge in initially certifying the question for interlocutory appeal:

> [E]ven if the district judge certifies the order under § 1292(b), the appellant still "has the burden of persuading the court of appeals that exceptional circumstances justify a departure from the basic policy of postponing appellate review until after the entry of a final judgment." *Fisons, Ltd. v. United States*, 458 F.2d 1241, 1248 (CA7 1972), [*cert. denied*, 405 U.S. 1041 (1972)]. *The appellate court may deny the appeal for any reasons, including docket congestion.*

Coopers & Lybrand v. Livesay, 437 U.S. 463 , 475-76 (1978).

One seriously cannot question the propriety of the Court of Appeals' exercise of discretion here in refusing to permit defendants to take an appeal. Weslo has not even hinted in the petition at a possible abuse of discretion. Clearly there has been none, and defendants' petition for rehearing to the Court of Appeals indeed was "frivolous."

Petition at 3a. Had the Court of Appeals remained silent on its reasons for refusal, one only could have speculated about the motives involved in its discretionary exercise. The one reason given - the court's four harmonious prior decisions (petition at 4a-5a) - forecloses any doubt about justification for its refusal to permit an appeal. As discussed below, the district court decision denying summary judgment (tacitly approved by the Court of Appeals' refusal to permit an appeal) conforms with unanimous Federal Circuit and other federal authority.

DP has been unable to find any cases wherein this Court has reviewed, under an abuse of discretion standard, a court of appeals' refusal to permit a § 1292(b) interlocutory appeal to be taken. That is not surprising, given the broad discretion accorded the courts of appeals under § 1292(b). This Court has long refused to issue writs - extraordinary or otherwise - to rein in or second-guess the discretionary acts of lower courts. *See, e.g., Ex parte Bradley*, 7 Wall. 364 (1869); *United States v. Rosenberg*, 7 Wall. 580, 581 (1869); *Ex parte Parker*, 120 U.S. 737, 743 (1887); *In re Application of Burwell*, 350 U.S. 521, 522 (1956). The Court should not do so here, lest it "thwart the Congressional policy against piecemeal appeals." *Parr v. United States*, 351 U.S. 513, 521 (1956).

B. Review by This Court Would Frustrate Congressional Policies Underlying the Interlocutory Appeals Act of 1958

28 U.S.C. § 1292(b) provides, through a double-discretionary system of appeal, only limited opportunities for exception to the historic policy of the federal courts that appeal will lie only from a final decision:

> The Interlocutory Appeals Act of 1958, 28 U.S.C. § 1292(b) [28 U.S.C.S. § 1292(b)], was enacted to meet the recognized need for prompt review of certain nonfinal orders. However, Congress carefully *confined* the availability of such review. Non-

> final orders could never be appealed as a matter of right. Moreover, the discretionary power to permit an interlocutory appeal is not, in the first instance, vested in the courts of appeals. A party seeking review of a nonfinal order must first obtain the consent of the trial judge. This *screening procedure* serves the dual purpose of ensuring that such review will be confined to appropriate cases and avoiding time-consuming jurisdictional determinations in the court of appeals.

Coopers & Lybrand, 437 U.S. at 474-75 (footnotes omitted). The requirement for district court certification "serves the double purpose of providing the Appellate Court with the best informed opinion that immediate review is of value, and at once protects appellate dockets against a flood of petitions in inappropriate cases," while the appellate court, in its less pressured environment, can better estimate the likelihood of error and decide whether to further burden its own docket. *Hearings on Appeals From Interlocutory Orders Before the Subcomm. No. 3 of the House Comm. on the Judiciary*, 85th Cong., 2d Sess., ser. 11, at 14-15, 21, 22 (1958). In addition, § 1292(b) was intended to "improve and expedite the administration of justice in the Courts." *Hearings* at 7.

As noted, a court of appeals has absolute discretion in deciding whether to permit a § 1292(b) interlocutory appeal. In addition to the impact on its own docket, the court may consider a host of other factors, many of which may be somewhat local in nature and uniquely within the court's own ability to weigh. Supreme Court review of a refusal to permit an interlocutory appeal - in this or in any other case - would intrude on the individual decision-making process granted by Congress exclusively to the courts of appeals. The result of this second-guessing well could be more protracted and wasteful (rather than expedited) litigation, and an upsurge in petitions flooding the courts of appeals and this Court. Further, considering the unlikeli-

hood of reversal of the district court's decision here, discussed *infra*, review now would materially *retard* (not advance) the ultimate termination of this litigation. These are not the sort of objectives Congress had in mind in enacting § 1292(b).

C. The District Court Decision Denying Summary Judgment Conforms With Unanimous Authority

As it did in the courts below, Weslo persists in ignoring controlling law and principle while fervently urging a self-serving position for which there is no support whatsoever.[3] The bottom line is that claim or issue preclusion *never* has been found where the first tribunal lacked *jurisdiction* over the issue in question.[4] Despite some *discussion* of the question by some courts (including the district court below) and commentators, *no* court ever has found claim or issue preclusion when the tribunal below lacked jurisdiction. Indeed, any application of preclusion principles to the facts of this case would require this Court to ignore the clear jurisdictional scheme inherent in 28 U.S.C. § 1338(a) and Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. Section 337 is not a substitute for Section 1338(a). Instead *it is an adjunct* to Section 1338(a)[5], providing prompt relief from the unfair competition of foreign imports - *relief not available in the federal district courts.*

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[3] Because of Weslo's extensive argument over the controlling authority, DP unfortunately must respond here in considerable detail.

[4] The only exceptions are those where a special statute applies to give finality to the decision of the first tribunal, even though it may have lacked jurisdiction. See, for example, the full faith and credit statute, 28 U.S.C. § 1738, which has been held to give finality to state court decisions on patent issues. No such statute applies to the circumstances of this case.

[5] The remedies under § 337 of the Tariff Act are "*in addition to* any other provision of law." 19 U.S.C. § 1337(a)(1).

1. Jurisdiction of the ITC to Adjudicate Patent Validity - the Sine Qua Non of Preclusion - Is Wholly Lacking

DP has no quarrel with any of the plethora of cases Weslo has cited in which, *on their facts*, res judicata and/or collateral estoppel have been found. Except where full faith and credit had to be given to state court decisions as required by statute, all of the cases proceed from a former holding of a court or agency *which had jurisdiction* to adjudicate the matter before it and to reach the decision it did. Weslo's insoluble problem exists in the simple fact that *the ITC does not have jurisdiction* to decide *vel non* any patent validity or infringement issues. Accordingly, review by the Federal Circuit under 28 U.S.C. § 1295(a)(6) of an ITC finding that there has been no violation of § 337 of the Tariff Act - a finding the ITC *does* have original and exclusive jurisdiction to make - does not permit the ITC, any reviewing court or Weslo to bootstrap the original jurisdiction over patent matters *exclusively reserved* to United States district courts under 28 U.S.C. § 1338(a).

Weslo does not contend that the ITC has jurisdiction to adjudicate patent validity. As observed by Judge Schwartz *in this case* in a 1985 decision denying *a motion by Weslo* to stay or suspend the then ongoing ITC investigation:

> Patent law is based upon Article 1, Section VIII, Clause 8 of the Constitution which grants to Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Congress placed *original jurisdiction over patent actions exclusively in the federal district courts*. 28 U.S.C. § 1338(a). *Only* a federal district court may *adjudicate* patent validity, enforceability and infringement issues. Appeal of the district court decision may be taken to the

Court of Appeals for the Federal Circuit. 28 U.S.C. § 1292(c)(2).

Original jurisdiction over *unfair practices in import trade lies exclusively with the ITC.* 19 U.S.C. §§ 1332(b), 1337. Appeals from ITC decisions may also be taken to the Court of Appeals for the Federal Circuit. 19 U.S.C. § 1337(c). While the ITC makes a "*determination*" as to patent issues, *it has no jurisdiction to make a binding adjudication on patent matters. Neither* a federal district court nor the ITC *may transgress upon the jurisdiction of the other.* Ashlow, *Ltd. v. Morgan Construction Co.*, 672 F.2d 371, 375 (4th Cir. 1982).

. . .

Although appeals must now be taken to the same court, the fact remains that appeals from ITC matters and appeals from district court patent proceedings cover *different issues.* Such is not surprising, given the differing jurisdictions, purposes, issues, proof and remedies afforded by the two tribunals. Broadly stated, the Court of Appeals for the Federal Circuit may *review district court adjudications of patent validity, enforceability and infringement for erroneous findings of fact and errors of law.* The issue on appeal from an ITC decision is *whether the ITC made the correct determination with respect to unfair practices in import trade,* and issued an appropriate remedial order under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337. Because the *question on review from the two fora is different* and since the *district court has exclusive original jurisdiction over patent matters,* it necessarily follows *the appellate court cannot render a binding determination on the issues of patent*

> *validity*, enforceability and infringement *on an appeal from the ITC.*

In re Convertible Rowing Exerciser Patent Litigation, 616 F.Supp. 1134, 1140-42 (D.Del. 1985) (petition, App.G).

These clear pronouncements of the Delaware district court should be considered to be the law of this case. The district courts are *not precluded* from independently considering the validity of the patent in suit - their exclusive prerogative under 28 U.S.C. §1338(a).

2. The Federal Circuit Consistently Has Stated That the ITC Has No Authority to Adjudicate Patent Validity; Other Courts Are in Full Agreement

In the four years since Judge Schwartz's 1985 motion decision, the Federal Circuit on four occasions *consistently* has recognized the jurisdictional dichotomy that exists with respect to patent issues in the ITC and in the federal district courts. The first of these cases is *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559 (Fed.Cir. 1986). Corning had initiated an investigation before the ITC under § 337 of the Tariff Act. The Commission found the Corning patent to be valid and infringed but found that *no violation* of § 337 had occurred because Corning had been unable to establish the requisite injury to the domestic industry. Corning appealed. In discussing the standard of appellate review Judge Nies observed:

> [T]he Commission is *not* charged with administration of the patent statute, 35 U.S.C. § 1 *et seq. Thus we do not defer to its interpretation of patent law.*

Id., at 1565, n.5. Later the court noted that Corning was then pursuing an infringement action against Sumitomo. As to that litigation, the court significantly stated (*Id.*, at 1570, n. 12):

> The action has been stayed pending resolution of this appeal. We question this practice which appears to cause unnecessary delay in resolution of the basic dispute between the parties. Here, non-patent issues are dispositive of this case. *Moreover, the ITC takes the position that its decisions have no res judicata effect in such litigation. Accord, Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 226 U.S.P.Q. 12 (2d. Cir. 1985). Although this question has not been addressed by this court, the legislative history of the Trade Reform Act of 1974 supports the Commission's position:
>
> > *The Commission is not, of course, empowered under existing law to set aside a patent as being invalid* or to render it unenforceable, and *the extent* of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon *for the purpose of determining whether § 337 is being violated.*
> >
> > . . .
> >
> > *The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts.*
>
> S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974), U.S. Code Cong. & Admin. News 1974, 7186, 7329.

On the same day, the Federal Circuit also handed down an opinion in *Lannom Mfg. Co. v. U. S. Int'l Trade*

Comm'n, 799 F.2d 1572 (Fed. Cir. 1986). Before the ITC in the § 337 action, none of the respondents had asserted invalidity of the suit patent, although evidence was adduced on the subject of validity. The ITC staff position was that the patent was *valid*. The ALJ found no violation of § 337 on grounds of *lack of injury*, and also held all claims of the patent invalid for failure to comply with sections 103 and 112 of the patent act (35 U.S.C. §§ 103, 112). Upon review, the Commission affirmed the ALJ's findings with respect to lack of injury, and affirmed his finding of invalidity under § 103. On complainant's appeal to the Federal Circuit, the Commission asserted that it *could* and *must* determine patent validity even if validity was not challenged by any respondent or its own staff.

In its treatment of the question, the court, through Judge Newman, thoroughly reviewed the history of the present § 337 of the Tariff Act of 1930 as amended in 1974. Quoting from *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 258 (C.C.P.A.), *cert. denied*, 282 U.S. 852 (1930), the point was made that the Tariff Commission had always been "merely an administrative fact-finding body. It has no judicial powers. *The right to pass upon the validity of a patent . . . is a right possessed only by the courts of the United States given jurisdiction thereof by law.*" 799 F.2d at 1577. So it remained until passage of the Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978 (1975), when the Tariff Commission was renamed the United States International Trade Commission. As related by Judge Newman, under the Trade Act of 1974, remedies for violation of § 337 were strengthened and § 1337(c) was inserted to provide that "The Commission shall determine . . . whether or not there is a violation of this section. All legal and equitable defenses may be presented in all cases. . . ." *Id.* Underlining its significance, Judge Newman quoted the *same* language as above reproduced from the S. Rep. No. 1298 at 196, 1974 U.S. Code Cong. & Admin. News at 7329.

On September 30, 1987, again speaking for the Federal Circuit, Judge Newman in *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017 (Fed. Cir. 1987), had occasion once more to discuss the jurisdiction of the ITC in patent-based § 337 investigations. Again quoting from the Senate Report accompanying the Trade Act of 1974 and citing to *Lannom*, the court stated:

> At the same time, the Senate Report accompanying the Trade Act of 1974 made clear that the Commission's primary responsibility *is to administer the trade laws, not the patent laws*: [repeating above quote from S. Rep. No. 1298, 2nd Sess. 196]. Thus *our appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals.*

831 F.2d at 1019.

Finally, the Federal Circuit in 1988 rendered an opinion in *Texas Instruments, Inc. v. U.S. Int'l Trade Comm'n*, 851 F.2d 342 (Fed.Cir. 1988). The ITC had found no violation of § 337 of the Tariff Act in part because a Texas Instruments patent was found by the ITC to be unenforceable for inequitable conduct in its procurement. The court dismissed a portion of the appeal for mootness, because the patent had expired. However, the court *directly addressed* the question of what effect the ITC's determination of unenforceability would have on Texas Instruments' ability to enforce the patent (and others in its portfolio) in other litigation. The court, through Judge Bissell, reiterated that "this court has stated that the ITC's determinations regarding patent issues should be given *no* res judicata or collateral estoppel effect, *Tandon Corp. v. United States International Trade Commission*, 831 F.2d 1017, 1019, 4 USPQ 2d 1283, 1285 (Fed.Cir. 1987). . . ." *Texas Instruments*, at 344. The court then *vacated* the ITC's determination regarding the expired patent, and remanded the case to the ITC "with instructions to dismiss

as moot the portion of the complaint relating to that patent." *Id.*

Weslo cavalierly has dismissed the consistent treatment of the preclusion issue by the Federal Circuit and other courts as "dicta." Advocates and legal scholars may differ on where the holding of an opinion ends and where dicta begins, but one thing is abundantly clear: the Federal Circuit's treatment of the ITC/patent preclusion issue in *Texas Instruments* is the most recent and direct affirmation of its well-considered view that *preclusion does not apply.* Other courts have independently reached this *same* conclusion by confronting the issue in a similarly direct fashion - be it in dicta or otherwise.

In *Antonious v. Kamata-Ri & Co.*, 204 U.S.P.Q. 294 (D. Md. 1979), the defendant moved the district court for an order compelling Antonious to apply for reissue of his patent, and dismissing the case, arguing that the patent already had been declared invalid by the ITC and one other forum. In denying the motion, the court rejected defendant's argument, stating, "[N]either finding of invalidity is binding on this Court. The United States International Trade Commission's investigation under 19 United States Code, Section 1337, In Re Golf Gloves, ITC Publication 720 (March 1975) regarding *unfair competition, is not determinative in this Court.*" 204 U.S.P.Q. at 295.

In *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42 (2d Cir. 1985), the Second Circuit squarely confronted the preclusion issue and gave preclusive effect to an ITC determination on *trademark* issues in a § 337 investigation. The court distinguished the trademark situation from patent-based § 337 determinations, necessarily delineating the jurisdictional boundaries of ITC fact-finding:

> Union cites no case, nor have we found one, in which a determination of the ITC not involving patent validity has been denied *res judicata* effect. What Union relies on are the legislative

> history of the Trade Reform Act of 1974 as it pertains to the *res judicata* effect of ITC patent validity determinations, *see* S. Rep. No. 93-1298, 93d Cong., 2d Sess. (1974), *reprinted in* 1974 U.S. Code Cong. & Ad. News 7186, 7329, and decisions of federal courts and the ITC in patent validity cases, *see, e.g., W.A. Baum Co. v. Propper Manufacturing Co.*, 343 F.Supp. 1016, 1019 (E.D.N.Y. 1972); *In re Certain Synthetic Gemstones*, 208 U.S.P.Q. 282, 284 (U.S.I.T.C. 1979). But authority regarding ITC patent validity determinations has no bearing on ITC unfair trade practice and trademark determinations. *Patent validity determinations of the ITC are properly not accorded res judicata effect because the ITC has no jurisdiction to determine patent validity except to the limited extent necessary to decide a case otherwise properly before it. See* S.Rep. No. 93-1298, *supra*, 1974 U.S. Code Cong. & Ad. News at 7329. Indeed, Congress has granted the district courts exclusive original jurisdiction over patent validity cases. 28 U.S.C. § 1338(a); [citations omitted].
>
> The *jurisdictional bar to res judicata treatment of ITC patent validity determinations* simply does not apply to other decisions by the ITC.

763 F.2d at 45 (footnote omitted).

Similarly, in *Telectronics Proprietary Ltd. v. Medtronic, Inc.*, 687 F.Supp. 832 (S.D.N.Y. 1988), the New York district court was confronted with the issue of whether an earlier ITC decision should be accorded preclusive effect. Medtronic had initiated a section 337 investigation in the ITC by filing a patent-based ITC complaint, naming Telectronics as a respondent. Shortly thereafter, Telectronics initiated the New York action against Medtronic, seeking declaratory judgment of noninfringement and invalidity of

the same patent. Medtronic counterclaimed in the New York action for patent infringement, and Telectronics replied by asserting the defense of a patent license.

The existence of a patent license had been considered and decided by the ITC (ALJ) on Medtronic's motion for summary determination. The Commission had denied review of the ALJ's finding that a license did exist, thus making that finding a final determination of the Commission. A pivotal issue before the New York court, therefore (on Telectronics' motion for partial summary judgment), was whether that ITC decision should be given preclusive effect.

Judge Leisure's opinion on this issue in *Telectronics*, 687 F. Supp. at 845, is a thorough and well-reasoned analysis of the primary statutory and decisional authority discussed in this case by Judges Longobardi and Schwartz below, and by the parties here. Recognizing the mutually exclusive jurisdictional boundaries delineated by 28 U.S.C.§ 1338(a) and Section 337 of the Tariff Act, the New York court logically and correctly concluded, as the Federal Circuit has, that "the ITC may consider issues of patent *validity* only insofar as they impact its decision on unfair competition claims." 687 F. Supp. at 846. Familiar supporting authority of the Second and Fourth Circuits, quoted in footnote 42, *Id.*, is more explicit:

> . . . Patent validity determinations of the ITC are properly *not* accorded *res judicata* effect because the ITC has *no jurisdiction to determine patent validity* except to the limited extent necessary to decide a case otherwise properly before it." *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 45 (2d Cir. 1985).
>
> In short, the Congress has created *two separate jurisdictions*: One with jurisdiction over 'unfair acts' in connection with the importation of articles from abroad (the Commission), and the

> other with jurisdiction over the validity of domestic patents (the district court)." *Ashlow Ltd. v. Morgan Constr. Co.*, 672 F.2d 371, 375 (4th Cir. 1982).

According to the New York court, the ITC's determination that there was a license under the patent simply concerned the existence of a contract - not the validity of the patent. As a non-patent validity defense to the claim of unfair competition, the factual issue of the existence of a patent license was a matter truly within the ITC's statutory jurisdiction. The New York court concluded, therefore, that the "*jurisdictional bar* to *res judicata* treatment of ITC patent validity determinations" simply did not apply to the license determination of the ITC. 687 F. Supp. at 846, quoting *Han Baek*.

Importantly, *necessary* to the decisions in *Han Baek* and *Telectronics* was each court's recognition, as law, of the "jurisdictional bar" to preclusive treatment of ITC patent validity determinations - a bar that simply did not apply to the facts of either case. The courts simply were dealing with facts on the opposite side of the same jurisdictional coin. Had either court been confronted with a prior ITC decision of patent invalidity, it unquestionably would have been compelled, on the jurisdictional grounds stated, to *refuse* to give that decision preclusive effect.

Contrary to the district court's characterization of this issue as one of "first impression,"[6] *Texas Instruments*, *Antonious*, *Han Baek* and *Telectronics* at the very least

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[6] Even cases of "first impression" have been denied certification for interlocutory appeal where there is, nevertheless, no substantial ground for difference of opinion. See, for example, *Weisman v. MCA, Inc.*, 45 F.R.D. 530, 531 (D.Del. 1968) (denying certification even though the circuit had not yet decided any of the questions presented); *United States ex rel. Hollander v. Clay*, 420 F.Supp. 853,859 (D.D.C. 1976) (denying certification even though no cases interpreted the controlling statute).

demonstrate that there is *considerable* and *consistent* decisional authority *directly on point* that, along with consistent statutory construction, *mandate* the decision reached by the district court. *There is no authority to the contrary* that could possibly form a "substantial ground for difference of opinion" that would justify interlocutory review. Some commentators may have expressed views that preclusion in this context should apply, but those views, along with counsel's *ipse dixit*, are not authoritative grounds for granting a writ here.

3. This Case Does Not Conflict With Blonder-Tongue or Utah Construction

Weslo places great reliance on the decisions of this Court in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) and *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394 (1966). In both cases, the holding of preclusion was based on the essential threshold ingredient of *jurisdiction* of the first tribunal to *finally adjudicate* the issue before it. Neither case applies to the situation here as Weslo urges, and there is no conflict, because the ITC lacked jurisdiction to adjudicate the validity of DP's patent.

In *Blonder-Tongue* this Court was silent on jurisdiction of the first tribunal because the presence of jurisdiction obviously was beyond question. The prior holding of patent invalidity was of a federal district court with original and exclusive jurisdiction to adjudicate patent validity under 28 U.S.C. § 1338(a). That decision became final when it was affirmed on appeal. 402 U.S. at 314-315.[7] Here, the ITC's determination of invalidity, even when reviewed by the Federal Circuit, was not final for want of jurisdiction.

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[7] The ultimate focus of course was whether the patentee had a full and fair opportunity to litigate validity in the first action. 402 U.S. at 333.

Utah Construction dealt with claims against the government under the disputes clause of a contract pursuant to the Wunderlich Act, 41 U.S.C. § 321. In finding that the claims were precluded by prior decisions of the Advisory Board of Contract Appeals, the Court noted the finality that attached to a Board decision *by virtue of the Act*. "Both the disputes clause and the Wunderlich Act categorically state that administrative findings on factual issues relevant to questions arising under the contract shall be *final and conclusive* on the parties." 384 U.S. at 419. Significantly, the Court then went on to say, "Of course, if the findings made by the Board are *not relevant to a dispute over which it has jurisdiction*, such findings would have *no finality whatsoever*." *Id.*, at n. 15. Subsequently the Court made the following statement, which Weslo misconstrues and on which it heavily but mistakenly relies: "When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact *properly before it* which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply res judicata to enforce repose." 384 U.S. at 422.

Weslo stubbornly fails to recognize or admit that the above-highlighted phrase "properly before it" simply means that the issues actually decided by the agency were *within its statutory jurisdiction* to decide them. The ITC has no jurisdiction to decide questions of patent validity. *Utah Construction* in fact supports DP's position that the ITC determination is neither final nor binding. 384 U.S. at 419, n. 15.

4. The Other Authorities Cited by Weslo Clearly Do Not Control Here

Weslo relies on *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988), for the alleged "teaching" that "one tribunal, the Seventh Circuit, in addressing claims properly before it, can address patent questions without transgressing on the exclusive patent jurisdiction

of [another,] the Federal Circuit." Petition at 16 (emphasis deleted). Read loosely, that statement literally is correct, but Weslo *wrongly* implies that only the Federal Circuit has jurisdiction to decide patent questions and the other circuit courts (and the ITC by analogy) do not, but still can consider them despite their alleged lack of jurisdiction. Weslo misinterprets the clear import of the *Colt* decision, and misconstrues the jurisdiction of the Federal Circuit in patent matters under 28 U.S.C. § 1295(a)(1).

The *Colt* court framed the issue succinctly. The jurisdiction of the Federal Circuit is circumscribed, and not all cases involving patent questions are within the appellate jurisdiction of the Federal Circuit:

> As relevant here, 28 U.S.C. § 1295(a)(1) grants the Court of Appeals for the Federal Circuit exclusive jurisdiction over "an appeal from a final decision of a district court of the United States . . . if the jurisdiction *of that court* was based, in whole or in part, on [28 U.S.C.] section 1338. . . ." Section 1338(a), in turn, provides in relevant part that "[t]he district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . ." Thus, the jurisdictional issue before us turns on whether this is a case "arising under" a federal patent statute, for if it is then the jurisdiction of the District Court was based at least "in part" on section 1338.

486 U.S. at 807 (footnote omitted). Deferring to the "well-pleaded complaint" rule, the Court readily determined that the antitrust case filed in the district court did not "arise under" a federal patent statute. Accordingly, the Seventh Circuit - not the Federal Circuit - had jurisdiction of all questions, including the patent questions, on appeal. That being the case, the Court vacated the judgment of the Federal Circuit which, in the "interest of justice," had

ruled on the merits of the appeal anyway after the case had bounced between the two circuits several times. " 'Courts created by statute can have no jurisdiction but such as the statute confers.' [citation omitted]." *Colt*, 486 U.S. at 817. *Colt* is, therefore, irrelevant to Weslo's argument, and in fact is consistent with DP's position, with the opinion of the Delaware district court here and with the other authorities that find preclusion *impossible* because of the ITC's lack of jurisdiction to adjudicate patent validity.

Nor do the host of cases cited on pages 14-15 of the petition support Weslo's argument. Those cases are irrelevant because they involve recognition of state court decisions under the full faith and credit statute, 28 U.S.C. § 1738. That statute is limited by its terms to decisions of the courts of the States, Territories and Possessions. It simply does not apply to decisions of agencies of the federal government, such as the ITC. Except for those instances in which such special statutes apply, there is *no case* in which preclusive effect was given to a decision of a tribunal that did not have *jurisdiction to adjudicate* the subject matter involved.

5. The Creation of the Federal Circuit in 1982 Did Not Change Existing Preclusion Law or Alter the Clear Congressional Intent Previously Expressed in the 1974 Legislative History of Section 337

Weslo asserts that the above-discussed legislative history of the 1974 amendments to § 337 of the Tariff Act became irrelevant upon creation of the Federal Circuit in 1982, because no one even dreamed that a special court would exist which would consider appeals in all patent matters - from the ITC as well as from the federal district courts. While a plethora of texts and articles could be cited to ventilate this outlandish contention, it should be sufficient to refer to the report of the Hruska Commission, *Structure*

and Internal Procedures: Recommendations for Change, reported at 67 F.R.D. 195 (1975).

The Hruska Commission was created by Congress in 1972. Pub. L. No. 92-489, 86 Stat. 807 (1972); 67 F.R.D. at 207. It was charged with investigating administrative problems which for years had plagued the appellate system, and recommending changes in the structure of the system pursuant to its investigation. The Commission held hearings in various cities; widely circulated a preliminary report; received ideas from the bench and bar nationwide; and studied the extensive literature on the subject. 67 F.R.D. at 207-208.

The approach recommended by the Hruska Commission was to form a national court of appeals sitting between the circuit courts of appeals and the Supreme Court. The Commission did not favor, but nevertheless considered, a special court which would hear only patent appeals. This was based on 25 years' worth of suggestions favoring a court of patent appeals. 67 F.R.D. at 234. Obviously the final solution resulting in the Court of Appeals for the Federal Circuit was a national court of appeals covering a limited *group* of specialities including, *inter alia*, patents, customs matters and claims against the United States. Thus an appellate court handling all patent matters *was* indeed considered before 1974. *See, also*, Gholz, *Commissioners for the C.C.P.A.*, 53 J. Pat. Off. Soc'y. 388 (1971), as an example of the literature generally referred to by the Hruska Commission report. There it is suggested that all patent appeals be taken to the Court of Customs and Patent Appeals, subject to final review by the Supreme Court. Since the CCPA already handled ITC appeals, this proposal would have taken us essentially to where we are today with the Federal Circuit.

The real issue is what Congress intended in 1982 when it established the Federal Circuit - not what it might have foreseen while gazing into a crystal ball in 1974. It should

be noted that in all of the deliberations, such as those engaged in by the Hruska Commission, and in the considerations leading to creation of the Federal Circuit, the basic motivation was to obtain more uniformity in decisions among the various circuits. There is no indication that consideration ever was given to basic changes in existing statutory law. Certainly there is no indication in the legislative history of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982), that *any* consideration was given to changing the jurisdiction of either the ITC or the federal courts in respect to patent matters, or to changing the effects of ITC patent decisions, whether reviewed by the Federal Circuit or not. *See*, S. Rep. No. 275, 97th Cong., 1st Sess. at 18-22 (1981). Congressional intent to change the meaning of a prior statute is not to be inferred when the later act and its legislative history are silent on the point. *Tidewater Oil Co. v. United States*, 409 U.S. 151, 158-59 (1972); *Markham v. Cabell*, 326 U.S. 404, 411 (1945). There was no such intent expressed in 1981. S. Rep. No. 275, 97th Cong., 1st Sess. (1981).

The essence of Weslo's argument is that the jurisdictional bar to preclusive treatment of ITC patent validity determinations was impliedly repealed when the Federal Circuit was created in 1982. Repeal by implication is not favored. *See, e.g., Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 445 (1987); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1017 (1984); *Regional Rail Reorganization Act Cases*, 419 U.S. 102, 133 (1974). There must be a "clear repugnancy" between the two provisions. *United States v. Fausto*, 484 U.S. 439, 453, *reh'g. denied*, 485 U.S. 972 (1988), citing *Georgia v. Pennsylvania R.R. Co.*, 324 U.S. 439, 456-57 (1944) and *Wood v. United States*, 16 Pet. (41 U.S.) 342, 362-63 (1842). There is no such repugnancy here. The Federal Circuit can and will apply the appropriate standard of review and properly discharge its appellate function within the Congressionally mandated,

harmonious jurisdictional scheme, whether appeal is from the ITC, a district court or both.

D. This Case Is Not of Such Imperative Public Importance As to Justify Immediate Settlement in This Court Before Formal Judgment by the Court of Appeals

The Court of Appeals for the Federal Circuit, having refused to entertain an appeal in this case, has not rendered a formal judgment on the merits of the question certified by the district court. Assuming, for the sake of argument, that this case is "pending in" the Court of Appeals, Weslo has not demonstrated that the question is "of such imperative public importance as to justify deviation from normal appellate practice [i.e., before judgment] and to require immediate settlement in this Court." Sup. Ct. R. 11.

The gravamen of the petition is that the district court's refusal to give preclusive effect to the ITC determination underlying this case somehow adversely will affect the efficient administration of justice. Whatever the effect, it is circumscribed. The decision below is narrowly drawn and will not do violence to established preclusion doctrines that apply *outside* the realm of ITC patent validity findings. Weslo's complaint really is unique to itself as an importer of infringing goods, and challenges a system established by Congress that for trade policy reasons puts such importers at a disadvantage as compared to parties whose infringing goods are domestically produced. Weslo's complaint really seeks repeal of a narrow exception to established preclusion doctrines - an exception that was carved out by Congress in this area for those same policy reasons. In enacting § 337 of the Tariff Act of 1930, Congress sought to provide domestic patentees an *added* measure of *quick* protection ("in addition to any other provision of law") against unfair imports. 19 U.S.C. § 1337(a)(1), (b)(1). Clearly Congress, in providing this "quick fix," did not

intend to strip from domestic patentees the protections afforded them under existing law. Application of issue or claim preclusion in this case would open a Pandora's Box and give exactly that absurd result.

In view of the decisions of the Federal Circuit, the clear meaning of the Congressional record accompanying passage of the 1974 amendments to the Tariff Act of 1930 and other unanimous holdings of other federal courts considering the matter at hand, Weslo's insistence on maintaining interlocutory review is, as the Federal Circuit held, "frivolous." Petition at 3a. Weslo has not and cannot establish any ground for difference of opinion on the law upon which the district court has solidly and unequivocally based its Opinion. Reversal on review now at the very least would require this Court to completely contravene the jurisdictional scheme established by the Congress. Judge Longobardi felt duty bound by this and other constraints to deny preclusion. One naturally would expect this Court to be extremely reluctant to effectively relegislate the jurisdiction of the ITC in patent matters - an act it has no power to consummate. Thus, reversal on review now is highly improbable, if not impossible. Review now would be certain to cause further delay of the inevitable trials in these cases, rather than terminate the litigation early. Review now would be inconsistent with the basic policy in the federal scheme of jurisprudence against piecemeal appeals. *See, Hollander, supra,* 420 F.Supp. at 859, citing *Switzerland Cheese Ass'n v. Horne's Market, Inc.*, 385 U.S. 23, 24-25, (1966), and *Baltimore Contractors, Inc. v. Bodinger*, 348 U.S. 176, 178 (1955). But if there is to be a review now, summary affirmance clearly is warranted.

DP has been trying to enforce its rights against those copying its patented invention since 1984. Supreme Court review of this case at this time will only further delay the inevitable with further damage to DP's business. DP is confident about the outcome of these consolidated cases

on the merits. That a *court* can uphold patent validity in the circumstances of this case, contrary to the ITC's findings, has been demonstrated by the Federal Court of Canada. On a slightly augmented record, that court held DP's counterpart Canadian patent *valid* and infringed immediately after the Federal Circuit's decision on appeal from the ITC. The findings of the Canadian court are diametrically opposed to those of the ITC on the factual issues that the ITC regarded as pivotal. See the Opinion of the Delaware district court at page 9a of the petition, n. 6. In the interest of justice, Weslo must not be permitted to indulge in further delaying tactics.

III. CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

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